
Overview of the NO_x Budget Trading Program

Louisville, KY

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Janice Wagner



SIP Call/126 Overview

- ◆ Builds on lessons learned from acid rain SO₂ and OTC NO_x allowance trading
- ◆ Sets goals and control requirements in terms of allowable emissions
- ◆ Reduces and caps total emissions
- ◆ Requires measurement and reporting of all emissions



SIP Call/126 Overview (cont.)

- ◆ Allows compliance flexibility, including emissions trading, to minimize cost
- ◆ Establishes automatic penalties and offsets to assure compliance
- ◆ Retains requirements to protect local air quality, regardless of trading



Why a Trading Program?

- ◆ Emissions trading is a flexible, proven, and cost-effective method to achieve emission reductions
 - 30% cost savings projected over command and control
 - sources have flexibility: install controls, increase efficiency, shift generation to cleaner units, or purchase allowances



Why a Trading Program? (cont.)

- ◆ Achieves over 90% of required reductions
- ◆ Satisfies SIP approvability criteria:
 - timing requirements
 - mass emissions limit and monitoring requirements for large combustion sources
- ◆ Requires minimal resources to administer



How is Trading Compatible with SIP Call and Budgets?

- ◆ NO_x Budget Trading Program allows unrestricted trading across all jurisdictions participating in the program
- ◆ Provided that sources in the trading program measure their emissions and hold sufficient allowances to cover their emissions, the State is in compliance with the SIP call

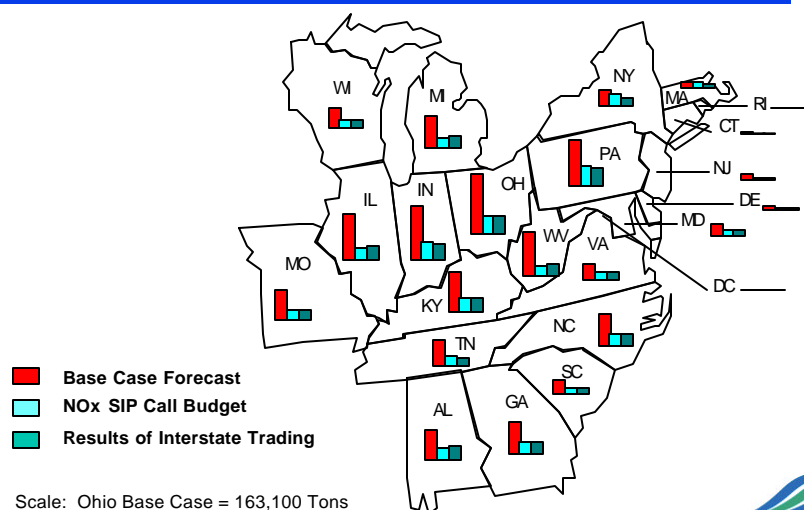


How is Trading Compatible with SIP Call and Budgets? (cont.)

- ◆ Analyses suggest that net effect of all trades will not result in significant emissions shifting
 - permit limitation option available



Ozone Season NO_x Emissions in 2007 from the Electric Power Industry



Which States Have a Compliance Date of May 1, 2003?

- ◆ Connecticut*
- ◆ Massachusetts*
- ◆ Rhode Island*
- ◆ New Jersey*
- ◆ New York*
- ◆ Delaware*
- ◆ Maryland*
- ◆ Pennsylvania*
- ◆ District of Columbia
- ◆ West Virginia
- ◆ Virginia
- ◆ Kentucky
- ◆ North Carolina
- ◆ Indiana
- ◆ Michigan
- ◆ Ohio

– *compliance date in SIP
is May 1, 2003



Which States Have a Compliance Date of May 31, 2004?

- ◆ Alabama
- ◆ South Carolina
- ◆ Tennessee
- ◆ Illinois



Important Dates under 126

- ◆ 5/1-9/30/2000 Monitor/report for early reduction credits
- ◆ 11/1/2001 Submit permit application
- ◆ 5/1/2002 Certify monitor
- ◆ 2/1/2003 Submit compliance supplement pool application
- ◆ 5/1-9/30/2003 First ozone season of program



Important Dates under 126 (cont.)

- ◆ 7/1-30/2003 2nd quarter ETS report due
- ◆ 10/1-30/2003 3rd quarter ETS report due
- ◆ 11/30/2003 Allowance transfer deadline
Compliance certification due
- ◆ 3/1/2004 Annual reconciliation complete
(estimated date)

